

Income Tax Regulations (Amendment) 1997 No. 270

EXPLANATORY STATEMENT

Statutory Rules 1997 No. 270

Issued by the Authority of the Assistant Treasurer

Income Tax Assessment Act 1936

Income Tax Regulations (Amendment)

The Governor-General may make regulations under section 266 of the *Income Tax Assessment Act 1936* (the Act) for the purposes of the Act.

Section 23AC of the Act provides a tax exemption for the pay and allowances of Australian Defence Force (ADF) personnel derived from 'operational service' performed in a declared 'operational area'. The date from which an area becomes an 'operational area' is defined within section 23AC itself. However, section 23AC requires that the termination date from which an area ceases to be an 'operational area' be prescribed by regulation.

In 1992 the Government committed ADF personnel to the former Yugoslavia to serve as part of a United Nations peacekeeping force, The Government also agreed to provide the exemption from income tax available under section 23AC to ADF personnel serving as part of that peacekeeping force. Accordingly, the above-mentioned operation was prescribed as 'operational service' and the former Yugoslavia was prescribed as an 'operational area' from 12 January 1992.

The Government has decided that from 23 January 1997 the former Yugoslavia ceased to be an 'operational area' for the purposes of section 23AC, From 24 January 1997 any ADF personnel serving in the former Yugoslavia will be entitled to the Overseas Defence Force Rebate under section 79B of the Act rather than the income tax exemption under section 23AC. The maximum rebate allowable per annum under section 79B, for 1993-94 and later years of income, is \$338 plus 50 per cent of certain other rebates to which the taxpayer may be entitled.

Regulation 7 will prescribe 23 January 1997 as the date from which the former Yugoslavia ceased to be an 'operational area'.

Subsection 23AC(7) of the Act provides that the date prescribed by the regulations for the purpose of specifying a termination date for operational areas may be a date before the commencement of the regulations.

Details of the Regulations are as follows.

Regulation 1 provides that the proposed Regulations will amend the Principle Regulations.

Regulation 2 will prescribe, for the purposes of section 23AC, 23 January 1997 as the termination date in respect of the former Yugoslavia. This will prescribe the date from which the former Yugoslavia ceases to be an 'operational area'.